

THE FOREST INDUSTRY SNAPSHOT: Ministry of Forests, Mines and Lands

December 2010



A Selection of Monthly Economic Statistics



Points of interest:

Exports to China

B.C. forest products exports to **China** totalled **\$1.67 billion** in the first 10 months of 2010, a **63% increase** from the 2009 level. China accounted for **29.8%** of the total value of B.C. forest product exports in October and **22.1%** on a YTD basis.

Russian Log Export Tax

Analysts are watching for the **possible reduction of Russian log export tax** to China, a move to gain acceptance in the World Trade Organization and to recapture Russia's market share in China. **Russia and the European Commission** have been finalizing negotiations to substantially reduce or eliminate Russian log export tax.

Softwood Lumber Agreement

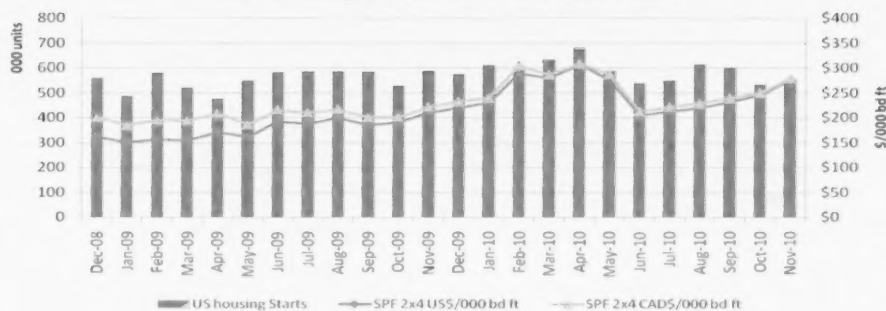
In October 2010, the U.S. Government requested **consultations with Canada** under the 2006 Softwood Lumber Agreement with regard to B.C.'s timber pricing policies, and may initiate an **arbitration** in the near future.

For further information please contact:

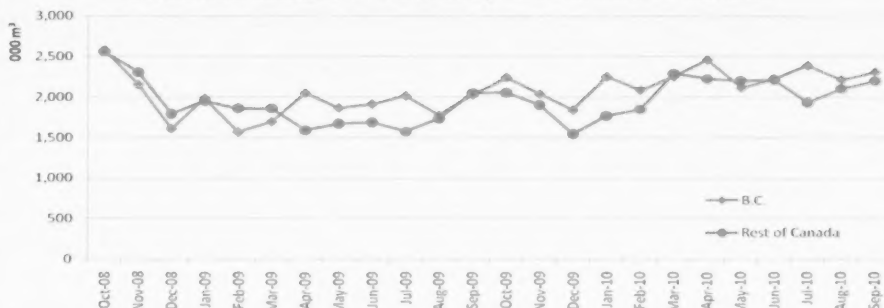
Jie Shu, Economic Analyst
Competitiveness Branch
Competitiveness, Innovation & Land Division
Email: jie.shu@gov.bc.ca

LUMBER PRICES & U.S. HOUSING

US Housing Starts* and SPF 2x4 Prices



Softwood Lumber Production, B.C. vs. Rest of Canada



Data sources: Madison's, US Census Bureau and Statistics Canada *Seasonal Adjusted Annual Rates (SAAR)

- **U.S. privately-owned housing starts** in **November** were at **555,000 SAAR**. This is **3.9% higher** than the revised October estimate of 534,000, but is 5.8% below the November 2009 rate of 589,000. **Single-family housing** starts in November were at a rate of 465,000, 6.9% higher than the October rate. **U.S. housing starts are expected to rise only marginally in 2011.**
- **Lumber prices** have risen steadily over the past 6 months with the increasing influence of China's demand for North American lumber. **SPF 2x4s** averaged at **US\$276/000 bd ft** in November, gained \$30 from October and averaged \$252 on the YTD basis. **Random Lengths Lumber Composite** averaged at **US\$275/000 bd ft** in November and averaged **\$283** on the YTD basis. **There are no obvious signs that Chinese buyers are resisting the rising lumber prices.**
- **Lumber production in B.C.** rose **20.3%** YTD through the first 3 quarters of 2010, output in the **rest of Canada gained 17.6%**. Overall **North America** lumber production **increased 10.5%** in the first 3 quarters of 2010, according to industry associations and Statistics Canada.

Common Abbreviations:

YTD year to date

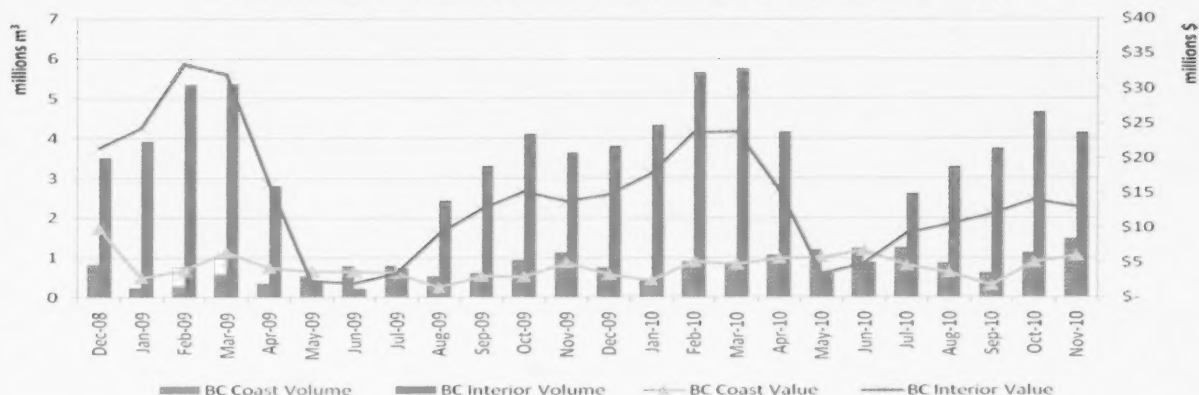
M/M % change from the previous to current month

Y/Y % change from the same month in the previous year to the current year

SAAR Seasonally Adjusted Annual Rates

China refers to China, including Hong Kong

HARVESTING

BC Crown Land Monthly Harvest Volume (m³)* and Value (CAD\$)

Data source: Harvest Billing System of Ministry of Forests, Mines and Lands.

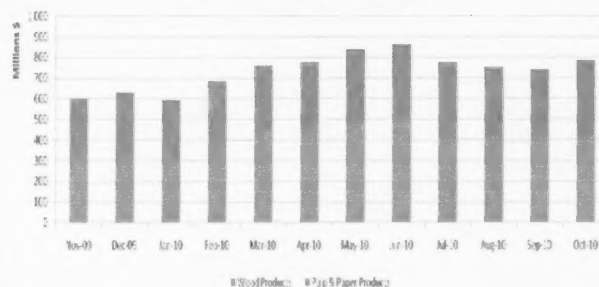
*All logs, special forest products, species and grades billed to crown land excluding waste, reject and Christmas trees.

COAST Crown land **harvest volume** was **1.48 million m³** in November, **up 41.7% YTD** from the 2009 level. **Harvest value** was **\$6.0 million** in November, **up 12.3% YTD** from the 2009 level.

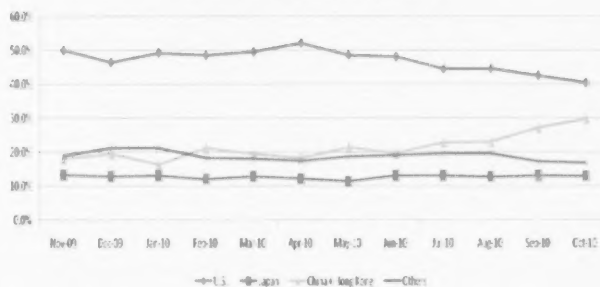
INTERIOR Crown land **harvest volume** was **4.13 million m³** in October, **up 10.6% YTD** from the 2009 level. **Harvest value** was **\$13.1 million** in November, **down 18% YTD** from the 2009 level.

EXPORTS

BC Forest Products Export Value by Sector



Share of BC Forest Products Export Value



Data source: BC Stats.

B.C. forest products exports totalled **\$785 million** in October, **up 5.8%** from September and **up 18.6% YTD** compared to the 2009 level;

- **Wood products exports** totalled **\$424 million** in October, **up 0.9%** from September and **up 22.5%** from the 2009 level YTD; and,
- **Pulp & paper products** totalled **\$361 million** in October, **up 12.2%** from September and **up 14.0%** from the 2009 level YTD.

The destination with the **largest share of the B.C. forest products export value** in October has been the **U.S. at 40.4%**, while:

- **China** accounted for **29.8%** and
- **Japan** accounted for **13.0%**.

In the first 10 months of 2010, the **U.S. share** of total value of B.C. forest products exports **dropped to 46.7%** from 53.8% one year ago. Shares in other major markets include **China at 22.1%, up from 16%** one year ago and **Japan at 12.6%, up from 12.1%** one year ago.

DATA SUMMARY

Monthly Economic Statistics - December 2010

		<u>Latest Month</u>	<u>Month Ago</u>	<u>M/M Change</u>	<u>Year Ago</u>	<u>Y/Y Change</u>	<u>2010 YTD</u>	<u>2009 YTD</u>	<u>YTD/YTD*</u> Change
Lumber Prices (US \$/1000 bd ft)									
SPF 2x4	Nov 10	\$276	\$246	12.2%	\$210	31.4%	\$252	\$178	41.6%
Random Lengths Lumber Composite	Nov 10	\$275	\$254	8.3%	\$245	12.2%	\$283	\$219	29.2%
SPF 2x10	Nov 10	\$322	\$319	0.9%	\$307	4.9%	\$317	\$241	31.5%
SPF Stud	Nov 10	\$246	\$220	11.8%	\$209	17.7%	\$253	\$188	34.6%
Cedar 2x4	Nov 10	\$650	\$650	0.0%	\$650	0.0%	\$650	\$620	4.8%
Hemlock Squares	Oct 10	\$780	\$780	0.0%	\$767	1.7%	\$782	\$767	2.0%
Panel Prices (CDNS/1000 sq ft)									
Plywood	Nov 10	\$299	\$328	-8.8%	\$304	-1.6%	\$336	\$311	8.0%
OSB	Nov 10	\$204	\$209	-2.4%	\$191	6.8%	\$255	\$202	26.2%
Pulp & Paper Prices (US\$/tonne)									
NBSK Pulp	Nov 10	\$957	\$968	-1.1%	\$772	24.0%	\$928	\$643	44.3%
Newsprint (US Eastcoast)	Nov 10	\$623	\$621	0.3%	\$488	27.7%	\$578	\$584	-1.0%
US\$/CDN\$ Exchange Rate									
	Nov 10	0.9900	0.9823	0.8%	0.9438	4.9%	0.9692	0.8736	10.9%
Housing Starts (000 units)									
US (Seasonally Adjusted Annual Rates)	Nov 10	555	519	6.9%	589	-5.8%	592	553	7.1%
Canada	Nov 10	187	168	11.3%	168	11.4%	193	147	30.9%
Japan Wood-based	Oct 10	41	41	0.0%	41	0.0%	38	36	5.5%
BC Lumber Production (000 m³)									
Coast	Sep 10	2,311	2,215	4.4%	2,025	14.1%	20,290	16,866	20.3%
Interior	Sep 10	249	230	8.3%	226	10.4%	2,138	1,795	19.1%
	Sep 10	2,062	1,985	3.9%	1,799	14.6%	18,152	15,071	20.4%
BC Market Pulp Shipments (000 tonne)									
	Sep 10	361	332	8.7%	280	28.9%	3,113	2,484	25.3%
BC Origin Forest Products Exports by Products (million \$)									
Wood Products	Oct 10	\$785	\$742	5.8%	\$621	26.4%	\$7,556	\$6,370	18.6%
Pulp & Paper products	Oct 10	\$424	\$420	0.9%	\$344	23.1%	\$4,236	\$3,457	22.5%
	Oct 10	\$361	\$322	12.3%	\$277	30.6%	\$3,320	\$2,913	14.0%
Shares of BC Forest Products Exports Value (%)									
US	Oct 10	40.4%	42.5%	-4.9%	49.9%	-19.0%	46.7%	53.8%	-13.2%
China & Hong Kong	Oct 10	29.8%	27.2%	9.6%	18.1%	64.6%	22.1%	16.0%	38.1%
Japan	Oct 10	13.0%	13.1%	-0.8%	12.9%	0.8%	12.6%	12.1%	4.1%
Other	Oct 10	16.8%	17.2%	-2.3%	19.1%	-12.0%	18.6%	18.1%	2.8%
Market Shares of US Lumber Consumption (%)									
BC	Sep 10	13.9%	14.3%	-3.2%	18.8%	-26.0%	16.6%	17.2%	-3.4%
Rest of Canada	Sep 10	12.4%	10.5%	17.6%	9.9%	24.6%	11.1%	10.4%	6.8%
US Domestic Supply	Sep 10	72.4%	73.7%	-1.9%	70.0%	3.3%	70.9%	70.5%	0.6%
3rd Country	Sep 10	1.4%	1.4%	0.0%	1.3%	9.5%	1.4%	1.9%	-29.0%
BC Crown Land Harvesting Volume (000 m³)									
Coast	Nov 10	5,612	5,797	-3.2%	4,785	17.3%	45,389	39,122	16.0%
Interior	Nov 10	1,478	1,138	29.9%	1,139	29.8%	9,663	6,819	41.7%
	Nov 10	4,134	4,659	-11.3%	3,647	13.4%	35,726	32,304	10.6%
BC Crown Land Harvesting Value (million \$)									
Coast	Nov 10	\$19.1	\$19.1	0.2%	\$18.78	1.7%	\$180.24	\$204.94	-12.1%
Interior	Nov 10	\$6.0	\$5.1	18.9%	\$5.01	20.1%	\$45.48	\$40.52	12.3%
	Nov 10	\$13.1	\$14.0	-6.5%	\$13.76	-5.0%	\$134.76	\$164.42	-18.0%
BC Forestry Employment (LFS) (000 jobs)									
Forestry & Logging	Nov 10	55.7	50.3	10.7%	51.2	8.8%	55.6	51.6	7.8%
Wood Products	Nov 10	13.9	12.9	7.8%	13.7	1.5%	17.0	13.5	25.9%
Paper Products	Nov 10	31.5	29.8	5.7%	28.1	12.1%	28.7	27.1	5.9%
	Nov 10	10.3	7.6	35.5%	9.4	9.6%	9.9	11.0	-10.0%
BC Log Exports									
Volume (000 m³)	Oct 10	224	276	-19.1%	271	-17.6%	3,062	2,278	34.4%
Value (million \$)	Oct 10	\$23	\$25	-6.3%	\$22	4.5%	\$303	\$213	42.3%

* based on calendar year, change % from the same year-to-date period of the previous year to the year-to-date of current year.